

*W. K. ...*

098210



**REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES**

*[Handwritten mark]*

Examination Of  
Financial Statements Of  
Disabled American Veterans  
National Headquarters,  
And Life Membership Fund  
For Year Ended  
December 31, 1975,  
And The Service Foundation  
For The 8-Month Period  
Ending August 31, 1975

FOD-76-21

AUG. 18, 1976

*703505*

**098210**



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-55712

Mr. Lyle C. Pearson  
National Commander  
Disabled American Veterans      CNG 00769  
National Headquarters  
P.O. Box 14301  
Cincinnati, Ohio 45214

Dear Mr. Pearson:

1 We have examined the financial statements of the Disabled  
2 American Veterans National Headquarters and Life Membership  
statements of the Service Foundation for the 8-month period DLG 01203  
ended August 31, 1975. Our examination, required by the act  
of June 17, 1932, as amended December 18, 1967 (36 U.S.C.  
90(i)), was made in accordance with generally accepted audit-  
ing standards and included such tests of the accounting  
records and other auditing procedures as we considered neces-  
sary.

As discussed in note 5 to the financial statements, an  
amendment to the Headquarters retirement plan in November 1975  
resulted in the payment of \$3,648,000 into the plan. Head-  
quarters recorded the payment as a charge to 1975. This is  
contrary to generally accepted accounting principles which  
require that such payments be expensed over a minimum period  
of 10 years.

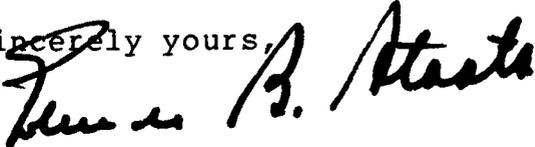
3 As described in note 7 to the financial statements,      4  
on April 14, 1976, the Internal Revenue Service rendered in-  
voices to Headquarters covering tax liability plus interest  
for the years 1970-73. There are also indications that  
assessments may be proposed for 1974 and 1975. Since Head-  
quarters is contesting these charges, the final outcome of  
this matter is not presently determinable and no provision  
has been made in the accompanying financial statements for  
the ultimate effect, if any, of these proposed assessments.

In our opinion, except for the direct charge in 1975  
to the operating fund for payment of the amended retirement  
plan past service cost as explained above, and subject to  
the effect of the income tax matters referred to in the  
preceding paragraph, the accompanying financial statements  
(exhibits A through H) and supplemental schedules (schedules 1  
and 2) present fairly the financial position of the National

Headquarters and Life Membership Fund at December 31, 1975 and 1974, the Service Foundation Fund at August 31, 1975, and December 31, 1974, and the results of their operations and changes in financial position and fund balances for the periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

As provided by the act of August 30, 1964 (36 U.S.C. 1102), Headquarters engages a firm of certified public accountants to make an annual audit of accounting procedures and systems of internal control. The audit does not, however, relieve us of our responsibilities under 36 U.S.C. 90(i). Our review and tests of the firm's audit permitted us to reduce our own testing of Headquarters accounting records.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Starks". The signature is written in a cursive style with a large initial "T" and "S".

Comptroller General  
of the United States

C o n t e n t s

Page

FINANCIAL STATEMENTS

Exhibit

Disabled American Veterans National  
Headquarters:

|   |  |   |
|---|--|---|
| A | Balance Sheet, December 31, 1975 and 1974  | 1 |
| B | Statement of changes in operating fund and special purpose funds balances for the years ended December 31, 1975 and 1974 | 3 |
| C | Statement of operating fund contributions and revenue for the years ended December 31, 1975 and 1974                     | 5 |
| D | Statement of program and supporting services and special service costs for the years ended December 31, 1975 and 1974    | 6 |

Disabled American Veterans National  
Headquarters Life Membership Fund:

|   |  |   |
|---|--|---|
| E | Balance Sheet, December 31, 1975 and 1974                                      | 7 |
| F | Statement of changes in balance for the years ended December 31, 1975 and 1974 | 8 |

Disabled American Veterans Service Foundation:

|   |  |    |
|---|--|----|
| G | Balance Sheet, August 31, 1975, and December 31, 1974                    | 9  |
| H | Statement of funds in trust for the 8-month period ended August 31, 1975 | 10 |

Schedule

Disabled American Veterans National  
Headquarters:

| <u>Schedule</u> |   | <u>Page</u> |
|-----------------|---|-------------|
| 1               | Contributions and revenue received from direct-mail solicitation, etc., and related costs and expenses for the years ended December 31, 1975 and 1974 | 12          |
| 2               | Program and supporting services and special service costs--net for the year ended December 31, 1975 and 1974  | 13          |
|                 | Notes to financial statements   | 15          |

ABBREVIATIONS

DAV            Disabled American Veterans

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSBALANCE SHEET, DECEMBER 31, 1975 AND 1974

## ASSETS

|   | <u>1975</u>         | <u>1974</u>         |
|---|---------------------|---------------------|
| OPERATING AND SPECIAL PURPOSE FUNDS:  |                     |                     |
| Current assets:   |                     |                     |
| Cash  | \$ 514,991          | \$ 884,088          |
| United States Government securities - at cost (approximates market)   | 8,943,452           | 11,474,373          |
| Accounts receivable   | 567,324             | 708,754             |
| Inventories (note 1)  | 980,132             | 1,051,447           |
| Prepaid expenses and interest receivable  | <u>405,553</u>      | <u>459,708</u>      |
| Total current assets  | <u>11,411,452</u>   | <u>14,578,370</u>   |
| Investments in securities - at cost (approximate market value: 1975, \$10,217,447; 1974, \$5,029,600) (notes 1 and 8) | <u>10,513,439</u>   | <u>7,542,099</u>    |
| Fixed assets (note 1):  |                     |                     |
| Property leased to others (less accumulated depreciation: 1975, \$1,980,400; 1974, \$1,869,250)                       | 1,473,891           | 1,585,040           |
| Construction in progress  | 2,917,137           | 1,026,873           |
| Land, buildings, and equipment (less accumulated depreciation: 1975, \$1,463,896; 1974, \$1,219,742)                  | <u>3,834,824</u>    | <u>3,158,644</u>    |
| Total fixed assets  | <u>8,225,852</u>    | <u>5,770,557</u>    |
| Total operating and special purpose funds   | <u>\$30,150,743</u> | <u>\$27,891,026</u> |

The notes on pages 15 to 18 are an integral part of this statement.

LIABILITIES AND FUND BALANCES

|  | <u>1975</u>         | <u>1974</u>         |
|--|---------------------|---------------------|
| OPERATING AND SPECIAL PURPOSE FUNDS:                                   |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 347,081          | \$ 414,339          |
| Accrued liabilities<br>(principally salaries and vacation pay)         | 1,198,590           | 998,019             |
| Deferred credits -<br>dues and service fees collected in advance, etc. | <u>881,453</u>      | <u>673,836</u>      |
| Total current liabilities (note 7)                                     | <u>2,427,124</u>    | <u>2,086,194</u>    |
| Operating and special purpose funds balances (exhibit B) (note 2):     |                     |                     |
| Operating Fund:  |                     |                     |
| Unappropriated   | 15,188,097          | 14,471,139          |
| Appropriated for expansion   | <u>832,863</u>      | <u>2,723,127</u>    |
| Total  | 16,020,960          | 17,194,266          |
| Fixed asset fund   | 8,225,852           | 5,770,557           |
| Scholarship fund   | 1,911,099           | 1,555,435           |
| Emergency relief fund  | 278,337             | 396,197             |
| Disaster fund  | <u>1,287,371</u>    | <u>888,377</u>      |
| Total  | <u>27,723,619</u>   | <u>25,804,832</u>   |
| Total operating and special purpose funds                              | <u>\$30,150,743</u> | <u>\$27,891,026</u> |

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN OPERATING FUNDAND SPECIAL PURPOSE FUNDS BALANCESFOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|  | <u>Operating fund</u> |                     | <u>Fixed assets fund</u> |                    |
|--|-----------------------|---------------------|--------------------------|--------------------|
|  | <u>1975</u>           | <u>1974</u>         | <u>1975</u>              | <u>1974</u>        |
| OPERATING FUND CONTRIBUTIONS AND REVENUE (exhibit C)   | \$16,907,004          | \$15,045,529        |                          |                    |
| OPERATING FUND PROGRAM AND SUPPORTING SERVICES AND SPECIAL SERVICE COSTS (exhibit D)               | <u>10,931,925</u>     | <u>9,734,489</u>    |                          |                    |
| EXCESS OF CONTRIBUTIONS AND REVENUE OVER SERVICE COSTS   | 5,975,079             | 5,311,040           |                          |                    |
| FUND BALANCE, JANUARY 1  | 17,194,266            | 13,739,132          | \$5,770,557              | \$4,955,027        |
| ADDITIONS (DEDUCTIONS) for Inter-fund transactions:  |                       |                     |                          |                    |
| Appropriations - specific purpose funds  | (1,000,000)           | (1,000,000)         |                          |                    |
| Provision for depreciation charged to operating fund   | 395,440               | 322,194             | (395,440)                | (322,194)          |
| Fixed assets, including construction in progress, purchased by operating fund - net of retirements | <u>(2,850,735)</u>    | <u>(1,137,724)</u>  | <u>2,850,735</u>         | <u>1,137,724</u>   |
| Total  | <u>19,714,050</u>     | <u>17,234,642</u>   | <u>8,225,852</u>         | <u>5,770,557</u>   |
| OTHER FUND TRANSACTIONS:   |                       |                     |                          |                    |
| Funding of retirement plan past service liability (note 5)   | (3,648,400)           |                     |                          |                    |
| Disbursements for scholarship, disaster, and relief purposes                                       |                       |                     |                          |                    |
| Grant to Boy Scouts of America (note 4)  | <u>(44,690)</u>       | <u>(40,376)</u>     | <u>-</u>                 | <u>-</u>           |
| Total  | <u>(3,693,090)</u>    | <u>(40,376)</u>     |                          |                    |
| FUND BALANCE, DECEMBER 31  | <u>\$16,020,960</u>   | <u>\$17,194,266</u> | <u>\$8,225,852</u>       | <u>\$5,770,557</u> |

The notes on pages 15 to 18 are an integral part of this statement.

| Scholarship fund   |                    | Special Purpose Funds        |                              | Disaster fund      |                  |
|--------------------|--------------------|------------------------------|------------------------------|--------------------|------------------|
| <u>1975</u>        | <u>1974</u>        | <u>Emergency relief fund</u> | <u>Emergency relief fund</u> | <u>1975</u>        | <u>1974</u>      |
|                    |                    | <u>1975</u>                  | <u>1974</u>                  |                    |                  |
| \$1,555,435        | \$1,165,210        | \$396,197                    | \$458,589                    | \$888,377          | \$421,833        |
| 500,000            | 500,000            |                              |                              | 500,000            | 500,000          |
| -                  | -                  | -                            | -                            | -                  | -                |
| <u>2,055,435</u>   | <u>1,665,210</u>   | <u>396,197</u>               | <u>458,589</u>               | <u>1,388,377</u>   | <u>921,833</u>   |
| (144,336)          | (109,775)          | (117,860)                    | (62,392)                     | (101,006)          | (33,456)         |
| -                  | -                  | -                            | -                            | -                  | -                |
| <u>(144,336)</u>   | <u>(109,775)</u>   | <u>(117,860)</u>             | <u>(62,392)</u>              | <u>(101,006)</u>   | <u>(33,456)</u>  |
| <u>\$1,911,099</u> | <u>\$1,555,435</u> | <u>\$278,337</u>             | <u>\$396,197</u>             | <u>\$1,287,371</u> | <u>\$888,377</u> |

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF OPERATING FUND CONTRIBUTIONS AND REVENUEFOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|   | <u>1975</u>         | <u>1974</u>         |
|---|---------------------|---------------------|
| Contributions and revenue   | \$21,241,750        | \$21,772,791        |
| Less direct costs and expenses  | <u>6,995,672</u>    | <u>8,873,528</u>    |
| Excess of contributions and revenue over direct costs (schedule 1)                        | 14,246,078          | 12,899,263          |
| National dues and service fees  | 1,641,784           | 1,346,521           |
| Donations and bequests  | 73,431              | 275,211             |
| Income from investments   | 967,459             | 1,009,624           |
| Gain (loss) on sale of securities (note 1)  | (362,191)           | (768,700)           |
| Rental from leased property, less related direct costs - 1975, \$170,027; 1974, \$204,233 | 181,573             | 147,367             |
| Sale of donated property  |                     | 9,526               |
| Sale of emblems, etc., less related direct costs - 1975, \$216,232; 1974, \$174,365       | 58,648              | 32,981              |
| Appropriation from DAV Service Foundation   |                     | 20,000              |
| Miscellaneous   | <u>100,222</u>      | <u>73,736</u>       |
| Total   | <u>\$16,907,004</u> | <u>\$15,045,529</u> |

The notes on pages 15 to 18 are an integral part of this statement.

DISABLED AMERICAN VETERANS  
NATIONAL HEADQUARTERS  
STATEMENT OF PROGRAM AND SUPPORTING SERVICES AND  
SPECIAL SERVICE COSTS  
FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|  | <u>1975</u>         | <u>1974</u>        |
|--|---------------------|--------------------|
| <b>PROGRAM AND SUPPORTING SERVICES:</b>  |                     |                    |
| Service to all veterans and dependents - maintenance of staff of attorneys in fact (National Service Officers) located in all Veterans Administration offices (schedule 2)                         | \$ 7,020,169        | \$5,800,762        |
| Supporting services to veterans and members and other expenses - National Headquarters expenses for administration of all activities, including membership and maintenance of records (schedule 2) | <u>3,219,851</u>    | <u>3,340,512</u>   |
| Total  | <u>10,240,020</u>   | <u>9,141,274</u>   |
| <b>SPECIAL SERVICE:</b>  |                     |                    |
| Special service to members - publication of Disabled American Veterans monthly magazine, less advertising and subscription revenue (schedule 2)  | 652,421             | 549,166            |
| Free service to motorists - cost of lost key returns (schedule 2)  | <u>39,484</u>       | <u>44,049</u>      |
| Total  | <u>691,905</u>      | <u>593,215</u>     |
| <b>TOTAL</b>   | <u>\$10,931,925</u> | <u>\$9,734,489</u> |

The notes on pages 15 to 18 are an integral part of this statement.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSLIFE MEMBERSHIP FUNDBALANCE SHEET, DECEMBER 31, 1975 AND 1974

|  | <u>1975</u>         | <u>1974</u>        |
|--|---------------------|--------------------|
| Current assets:  |                     |                    |
| Cash   | \$ 225,414          | \$ 168,542         |
| Accrued interest and<br>dividends receivable   | 98,787              | 55,880             |
| United States Government<br>securities - at cost<br>(approximates market)  | <u>4,337,116</u>    | <u>2,258,417</u>   |
| Total current assets   | <u>4,661,317</u>    | <u>2,482,839</u>   |
| Investments in securities - at<br>cost (approximate market<br>value, 1975, \$6,957,341;<br>1974, \$4,735,083) (notes 1<br>and 8) | <u>7,596,387</u>    | <u>7,173,296</u>   |
| Total life membership<br>fund assets   | <u>\$12,257,704</u> | <u>\$9,656,135</u> |
| Current liabilities - accounts<br>payable  | \$ 14,314           | \$ 20,192          |
| Fund balance   | <u>12,243,390</u>   | <u>9,635,943</u>   |
| Total life membership<br>fund liabilities and<br>fund balance  | <u>\$12,257,704</u> | <u>\$9,656,135</u> |

The notes on pages 15 to 18 are an integral part of this statement.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSLIFE MEMBERSHIP FUNDSTATEMENT OF CHANGES IN BALANCEFOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|   | <u>1975</u>         | <u>1974</u>        |
|---|---------------------|--------------------|
| <b>ADDITIONS TO FUND:</b>               |                     |                    |
| Life membership fees                    | \$ 3,612,317        | \$1,299,558        |
| Interest:                               |                     |                    |
| United States                           |                     |                    |
| Government                              |                     |                    |
| securities                              | 204,223             | 207,633            |
| Corporation bonds                       | 177,764             | 68,200             |
| Dividends                               | 105,438             | 120,942            |
| Other                                   | <u>32,362</u>       | <u>7,284</u>       |
| Total                                   | <u>4,132,104</u>    | <u>1,703,617</u>   |
| <b>DEDUCTIONS FROM FUND:</b>            |                     |                    |
| Loss from sale of securities - net      | 307,761             | 732,305            |
| Distributions to:                       |                     |                    |
| National Headquarters:                  |                     |                    |
| Services fees                           | 456,080             | 351,359            |
| Per capita tax                          | 241,610             | 175,657            |
| Chapters                                | 335,369             | 256,355            |
| Departments                             | <u>183,837</u>      | <u>135,349</u>     |
| Total                                   | <u>1,524,657</u>    | <u>1,651,025</u>   |
| <b>INCREASE IN FUND DURING THE YEAR</b> | <b>2,607,447</b>    | <b>52,592</b>      |
| <b>FUND BALANCE:</b>                    |                     |                    |
| Beginning of year                       | <u>9,635,943</u>    | <u>9,583,351</u>   |
| End of year                             | <u>\$12,243,390</u> | <u>\$9,635,943</u> |

The notes on pages 15 to 18 are an integral part of this statement.

DISABLED AMERICAN VETERANS  
SERVICE FOUNDATION BALANCE SHEET,  
AUGUST 31, 1975, AND DECEMBER 31, 1974 (note 6)

|  | August 31,<br><u>1975</u> | December 31,<br><u>1974</u> |
|--|---------------------------|-----------------------------|
| ASSETS   |                           |                             |
| CASH:  |                           |                             |
| General checking account   | \$ 4,624                  | \$ 11,270                   |
| Savings accounts and investment certificates   | 145,921                   | 225,921                     |
| Cash (1975, \$23,269; 1974, \$33,561) and investment certificates held by investment adviser           | 23,269                    | 133,591                     |
| RECEIVABLES: Dividends and interest  | 3,559                     | 1,197                       |
| INVESTMENTS: Marketable securities at cost (approximate market value: 1975, \$337,437; 1974, \$99,306) | <u>319,774</u>            | <u>126,392</u>              |
| Total  | <u>\$497,147</u>          | <u>\$498,371</u>            |
| LIABILITIES AND FUNDS IN TRUST   |                           |                             |
| CURRENT LIABILITIES: Deferred income (proceeds from open short calls)                                  |                           |                             |
|  | \$ <u>29,775</u>          | \$ <u>7,219</u>             |
| FUNDS IN TRUST:  |                           |                             |
| General trust account  | 109,489                   | 141,753                     |
| Special trust accounts:  |                           |                             |
| Perpetual rehab funds and permanent reserve fund   | 308,380                   | 301,800                     |
| The National Order of Trench Rats, DAV Legislative Program   | <u>49,503</u>             | <u>47,599</u>               |
| Total funds in trust   | <u>467,372</u>            | <u>491,152</u>              |
| Total  | <u>\$497,147</u>          | <u>\$498,371</u>            |

DISABLED AMERICAN VETERANS SERVICE FOUNDATIONSTATEMENT OF FUNDS IN TRUSTFOR THE 8-MONTH PERIOD ENDED AUGUST 31, 1975 (note 6)

|   |                  |                              | <u>Special trust accounts</u>                          |   |
|---|------------------|------------------------------|--|---|
|   | <u>Total</u>     | <u>General Trust Account</u> | <u>Perpetual Rehab Fund and Permanent Reserve Fund</u> | <u>The National Order of Trench Rats, DAV Legislative Program</u> |
| FUNDS IN TRUST,<br>JANUARY 1, 1975  | \$491,152        | \$141,753                    | \$301,800  | \$47,599  |
| ADDITIONS:  |                  |                              |  |   |
| Contributions and bequests  | 6,580            |                              | 6,580  |   |
| Interest on savings deposits, investment certificates, and short-term notes | 7,750            | 5,846                        |  | 1,904   |
| Dividends on investments  | 7,002            | 7,002                        |  |   |
| Gain (loss) on sale of investments  | (26,857)         | (26,857)                     | -  | -   |
| Total   | <u>485,627</u>   | <u>127,744</u>               | <u>308,380</u>   | <u>49,503</u>   |
| DEDUCT:   |                  |                              |  |   |
| Expenses:   |                  |                              |  |   |
| General:  |                  |                              |  |   |
| Board of Trustees:  |                  |                              |  |   |
| Travel and expense  | 8,975            | 8,975                        |  |   |
| Services (including chairman's salary)                                      | 1,722            | 1,722                        |  |   |
| Salaries  | 1,022            | 1,022                        |  |   |
| Stenographic services   | 1,233            | 1,233                        |  |   |
| Professional services   | 2,031            | 2,031                        |  |   |
| Telephone and telegraph   | 286              | 286                          |  |   |
| Printing, postage and supplies  | 2,551            | 2,551                        |  |   |
| Rent  | 320              | 320                          |  |   |
| Other expense   | 115              | 115                          |  |   |
| Total   | <u>18,255</u>    | <u>18,255</u>                |  |   |
| FUNDS IN TRUST,<br>AUGUST 31, 1975  | <u>\$467,372</u> | <u>\$109,489</u>             | <u>\$308,380</u>                                       | <u>\$49,503</u>   |

**SCHEDULES**

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSCONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAILSOLICITATIONS, ETC., AND RELATED COSTS AND EXPENSESFOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|  | <u>1975</u>         | <u>1974</u>         |
|--|---------------------|---------------------|
| <b>CONTRIBUTIONS AND REVENUE RECEIVED:</b>   |                     |                     |
| Direct mail solicitations  | \$20,036,437        | \$20,449,412        |
| Other revenue  | <u>1,205,313</u>    | <u>1,323,379</u>    |
| Total contributions and revenue received   | <u>21,241,750</u>   | <u>21,772,791</u>   |
| <b>RELATED COSTS AND EXPENSES:</b>   |                     |                     |
| Cost of solicitation mailings (materials and postage)  | 3,440,744           | 4,345,850           |
| Cost of premiums (materials and postage)   | 673,784             | 1,059,705           |
| Salaries and wages   | 1,659,891           | 1,962,483           |
| Employee benefits - hospital care, group insurance, retirement plan, etc.  | 409,622             | 419,973             |
| Commissions  | 224,487             | 235,117             |
| Payroll taxes  | 136,152             | 168,280             |
| Postage due  | 109,927             | 129,953             |
| Supplies   | 37,794              | 51,842              |
| Depreciation and amortization  | 106,317             | 104,160             |
| Heat, light, power and water   | 128,508             | 102,049             |
| Maintenance and repairs  | 56,697              | 83,228              |
| Rental of equipment  | 24,840              | 89,420              |
| Security service   | 31,020              | 28,541              |
| Express and hauling  | 14,085              | 10,605              |
| Laundry  | 9,122               | 10,501              |
| Insurance  | 3,792               | 9,497               |
| Telephone and telegraph  | 2,931               | 3,283               |
| Travel   | 1,919               | 1,790               |
| Other  | <u>9,881</u>        | <u>16,865</u>       |
| Total  | 7,081,513           | 8,833,142           |
| DECREASE IN LABOR AND OVERHEAD COSTS IN INVENTORY  | <u>(85,841)</u>     | <u>40,386</u>       |
| Total direct costs and expenses  | <u>6,995,672</u>    | <u>8,873,528</u>    |
| EXCESS OF CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL SOLICITATIONS, ETC., OVER RELATED COSTS AND EXPENSES | <u>\$14,246,078</u> | <u>\$12,899,263</u> |

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSPROGRAM AND SUPPORTING SERVICESAND SPECIAL SERVICE COSTS - NETFOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974

|  | <u>1975</u>      | <u>1974</u>      |
|--|------------------|------------------|
| <b>PROGRAM AND SUPPORTING SERVICES:</b>  |                  |                  |
| Service to all veterans and dependents -<br>Maintenance of staff of attorneys in<br>fact (National Service Officers)<br>located in all Veterans Administration<br>offices: |                  |                  |
| Salaries:  |                  |                  |
| Attorneys in fact (service officers)   | \$3,443,296      | \$2,871,078      |
| Assistants and stenographers for<br>attorneys in fact  | 970,191          | 796,746          |
| Legislative director, assistants,<br>and stenographers   | <u>152,116</u>   | <u>139,343</u>   |
| Total  | <u>4,565,603</u> | <u>3,807,167</u> |
| Employee benefits - hospital care,<br>group insurance, retirement plan,<br>etc.  | 757,879          | 568,336          |
| Expenses of National Convention  | 120,947          | 121,848          |
| Expenses of National Commander and<br>Staff  | 181,958          | 140,280          |
| Payroll taxes  | 284,945          | 243,293          |
| Travel expenses - Field Service<br>Units and others  | 434,606          | 380,145          |
| Postage, printing, and stationery  | 116,801          | 147,974          |
| Rental of space and equipment  | 41,350           | 34,167           |
| Supplies   | 127,868          | 93,997           |
| Relocation of personnel  | 87,825           | 50,807           |
| Depreciation and amortization  | 87,312           | 42,912           |
| Expenses of national officials at<br>state conventions   | 20,334           | 18,207           |
| Insurance  | 27,238           | 20,153           |
| Telephone and telegraph  | 27,088           | 24,052           |
| Maintenance and repairs  | 25,548           | 17,400           |
| Express and hauling  | 4,407            | 2,774            |
| Outside service - labor  | 7,474            | 3,740            |
| Field Service Units project cost   | 49,538           | 41,636           |
| Other  | <u>51,448</u>    | <u>41,874</u>    |
| Total  | <u>7,020,169</u> | <u>5,800,762</u> |

**SUPPORTING SERVICES TO VETERANS  
AND MEMBERS AND OTHER EXPENSES -  
National Headquarters expenses  
for administration of all  
activities, including member-  
ship and maintenance of records:**

|   |                         |                         |
|---|-------------------------|-------------------------|
| Salaries  | \$1,449,557             | \$1,546,699             |
| Equipment rental  | 285,776                 | 367,377                 |
| Employee benefits - hospital<br>care, group insurance,<br>retirement plan, etc. | 388,444                 | 272,809                 |
| Supplies  | 205,656                 | 210,227                 |
| Professional fees   | 55,656                  | 57,600                  |
| Agency service fees and<br>public relations                                     | 114,599                 | 178,436                 |
| Payroll taxes   | 91,789                  | 100,648                 |
| Travel  | 89,984                  | 65,862                  |
| Postage, printing, and<br>stationery  | 216,584                 | 211,467                 |
| Depreciation and amortization   | 83,992                  | 55,108                  |
| Insurance   | 35,041                  | 38,588                  |
| Telephone and telegraph   | 33,645                  | 37,223                  |
| Awards and trophies   | 93,254                  | 57,259                  |
| Security service  | 31,020                  | 28,791                  |
| Express and hauling   | 12,855                  | 20,237                  |
| Dues and subscriptions  | 39,287                  | 35,506                  |
| Maintenance and repairs   | 11,374                  | 9,456                   |
| Other   | 31,338                  | 47,219                  |
| <b>Total</b>  | <b><u>3,219,851</u></b> | <b><u>3,340,512</u></b> |

**SPECIAL SERVICE:**

|   |                       |                       |
|---|-----------------------|-----------------------|
| Special service to members -<br>Publication of Disabled<br>American Veterans monthly<br>magazine: |                       |                       |
| Printing and mailing<br>magazine  | 884,184               | 726,229               |
| Advertising agency<br>commissions   | 41,399                | 37,431                |
| Press clipping service  | -                     | 535                   |
| Cuts, mats and photos   | -                     | 1,269                 |
| Other   | 3,130                 | 1,206                 |
| <b>Total</b>  | <b>928,713</b>        | <b>766,670</b>        |
| Less advertising and<br>subscription revenue  | <u>276,292</u>        | <u>217,504</u>        |
| <b>Total (net)</b>  | <b><u>652,421</u></b> | <b><u>549,166</u></b> |

**FREE SERVICE TO MOTORISTS -  
cost of lost key returns and  
special orders:**

|   |                      |                      |
|---|----------------------|----------------------|
| Salaries  | 20,271               | 25,626               |
| Searches  | 2,727                | 3,494                |
| Postage   | 7,270                | 7,236                |
| Employee benefits - hospital<br>care, group insurance,<br>retirement plan, etc. | 5,719                | 4,200                |
| Supplies  | 1,364                | 946                  |
| Payroll taxes   | 1,617                | 1,632                |
| Other   | 516                  | 915                  |
| <b>Total</b>  | <b><u>39,484</u></b> | <b><u>44,049</u></b> |

|              |                            |                           |
|--------------|----------------------------|---------------------------|
| <b>TOTAL</b> | <b><u>\$10,931,925</u></b> | <b><u>\$9,734,489</u></b> |
|--------------|----------------------------|---------------------------|

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975 AND 1974

1. The financial statements of Disabled American Veterans (DAV) have been prepared on the basis of the following accounting policies:

Leased property

Property leased to others is accounted for under the operating method of accounting for lease transactions and has accordingly been segregated from other property assets in the balance sheet.

Inventories

Inventories, stated at the lower of cost (principally on the first-in, first-out basis) or market, are as follows at December 31, 1975 and 1974:

|                        | <u>1975</u>      | <u>1974</u>        |
|------------------------|------------------|--------------------|
| Materials and supplies | \$339,060        | 354,526            |
| Work in process        | <u>641,072</u>   | <u>696,921</u>     |
| Total                  | <u>\$980,132</u> | <u>\$1,051,447</u> |

Investment gains and losses

Investments in securities are recorded at cost. Gains and losses resulting from the sale of such securities are recognized at the time of disposition and are computed using the average cost method.

Fixed assets

Fixed assets are stated at cost, less accumulated depreciation, and are comprised of the following at December 31, 1975:

Fixed Assets (continued)

|   | <u>Cost</u>         | <u>Accumulated depreciation</u> | <u>Net book value</u> |
|---|---------------------|---------------------------------|-----------------------|
| Property leased to others                       | \$ <u>3,454,291</u> | <u>\$1,980,400</u>              | <u>\$1,473,891</u>    |
| Land and improvements                           | 487,682             | 58,738                          | 428,944               |
| Buildings, building equipment, and improvements | 2,396,894           | 424,622                         | 1,972,272             |
| Machinery and other equipment                   | <u>2,414,144</u>    | <u>980,536</u>                  | <u>1,433,608</u>      |
| Total land, buildings and equipment             | <u>5,298,720</u>    | <u>1,463,896</u>                | <u>3,834,824</u>      |
| Construction in progress                        | <u>2,917,137</u>    |                                 | <u>2,917,137</u>      |
| Total   | <u>\$11,670,148</u> | <u>\$3,444,296</u>              | <u>\$8,225,852</u>    |

Depreciation and amortization are computed generally on the straight-line method over the estimated useful lives of assets which range from 3 to 50 years and amounted to \$395,440 for 1975 and \$322,194 for 1974.

2. Special-purpose funds were designated by the National Finance Committee for the following purposes:

Scholarship Fund

For scholarships and financial assistance to veterans' dependents who qualify scholastically and are in need of financial aid.

Disaster Fund

For assistance to veterans and their families who have suffered losses resulting from natural disasters.

Emergency Relief Fund

For financial assistance to veterans for emergency health and welfare reasons.

Fixed Asset Fund

In order to more clearly present the composition of the fund balances, DAV reports as a separate component that

portion of the net assets of the organization invested in fixed assets.

#### Life Membership Fund

Used to account for life membership dues; such dues are segregated in a separate fund and withdrawn only as required to pay chapter, department, and national per capita dues.

3. In 1973 DAV contracted for the construction of a building in Washington, D.C., which will be used for the offices of the national service and legislative departments of the DAV. This facility is expected to cost approximately \$3,750,000, and, accordingly, DAV appropriated the fund balance for this amount to provide for construction and related costs. As of December 31, 1975, approximately \$832,863 remained to be expended on this project.
4. In 1970 DAV authorized a grant of \$279,883 to the Boy Scouts of America to provide a national scouting program for physically or mentally handicapped boys. The initial grant payment of \$39,500 was made in 1970, with the remainder of the grant to be paid in annual installments increasing from \$33,920 in 1971 to \$47,371 in 1976, the date of the final grant payment. The unpaid portion of the grant at December 31, 1975 of \$47,371 is not reflected in the accompanying financial statements as the unpaid portion of the grant is revocable at any time at DAV's discretion. This amount was subsequently paid in February 1976.
5. On November 10, 1975, DAV amended its retirement plan in order to lower the normal retirement age from age 65 to 60. This amendment was completely funded by DAV through payment of \$3,648,400 into the plan. Under generally accepted accounting principles the effect of such an amendment is recorded as an expense of the organization over a minimum period of 10 years; however, DAV recorded the payment of the entire amended benefit in the financial statements as a charge to the operating fund in the accompanying statement of changes in operating fund and special-purpose fund balances in 1975.

The total retirement plan cost for 1975, including funding of the amendment to the plan (\$3,648,400) and normal cost (\$680,897), was \$4,329,297. The total retirement plan cost for 1974 was \$563,781.

6. The balance sheet and statement of funds for the Disabled American Veterans Service Foundation appear as separate exhibits in this report. The net assets of the Service Foundation are held in trust by the Foundation and are available to the National Headquarters only by appropriation or dissolution of the Foundation. These financial statements were audited as of August 31, 1975, because of the change in the Foundation's treasurer and responsibility for the financial records on that date. For subsequent years the accounting period will revert to the December 31 reporting period.
7. On April 14, 1976, the Internal Revenue Service, as a result of its examination of the years 1970-73 rendered invoices aggregating \$3,509,628 in tax liability plus \$757,512 interest. Although DAV believes there is no tax liability, the above amounts were paid on April 23, 1976, to avoid further interest charges. DAV has now engaged legal counsel to sue for recovery.

Although no assessments have been proposed by the Internal Revenue Service for the years 1974 and 1975, the estimated tax on similar components of income would amount to approximately \$715,000 plus interest for these 2 years.

The amounts of tax and interest charged by the Internal Revenue Service shown above and the amount estimated for 1974 and 1975 have not been recorded in the accompanying financial statements because the ultimate liability was not determinable at the time the audit was conducted.

8. As of December 31, 1975, the cost of investments in corporate securities of the general fund and of the life membership fund exceeded the market values of such securities by approximately \$296,000 and \$639,000, respectively. Pursuant to the method of accounting for investments followed by DAV, no provision is made for impairment of securities resulting from temporary market fluctuations.

It is DAV's opinion that, in the aggregate, there has been no permanent impairment of value of these investments.